

Indian banks and NBFCs maintain strong capital position, financial resilience improves: Report

The RBI mandates a minimum total CAR of 9 per cent for banks and of 11.5 per cent, including the Capital Conservation Buffer for banks. Public sector banks have significantly strengthened their capital positions following an improving earnings profile caused by an improvement in asset quality, apart from government infusions, the report said



CAR is the measure of a bank's ability to absorb losses from bad loans and to support its business growth. Image Source: IANS

India's banking and non-banking financial companies (NBFCs) showed improved financial resilience on the back of comfortable capital, including buffers, stabilising asset quality, and profitability, a report said on Tuesday.

The report from domestic credit rating agency Brickwork Ratings said that scheduled commercial banks reported capital adequacy ratios (CAR) well above the minimum regulatory requirements, with system-wide levels around 17 per cent.

CAR is the measure of a bank's ability to absorb losses from bad loans and to support its business growth. The RBI mandates a minimum total CAR of 9 per cent for banks and of 11.5 per cent, including the Capital Conservation Buffer for banks.

Public sector banks have significantly strengthened their capital positions following an improving earnings profile caused by an improvement in asset quality, apart from government infusions, the report said.

Meanwhile, private sector banks continue to benefit from efficient capital management and diversified portfolios.

"The Indian banking system is currently well capitalised, with buffers that provide adequate headroom for growth and resilience against potential stress," said Hemant Sagare, Director – Ratings (BFSI), Brickwork Ratings. "This strength reflects improved profitability, better asset quality, and disciplined risk management across the sector," he said.

Maintaining high-quality capital and strong internal capital generation will be critical to sustaining confidence and supporting long-term growth, Sagare added.

Among NBFCs, the capitalisation landscape remained mixed with large NBFCs maintaining healthy buffers, supported by better access to equity markets, diversified funding profiles, and stronger governance.

In contrast, mid-sized and smaller NBFCs faced relatively higher pressure due to increased funding costs, reliance on wholesale borrowings, and tighter investor selectivity.

The ratings agency forecasted Indian banks to maintain CAR above minimum capital requirements even under adverse macroeconomic scenarios, including geopolitical risks and global growth slowdowns.

A recent report said that the Reserve Bank of India's intervention on priority sector lending and agriculture book adjustments weighed on earnings of the December quarter but analysts said these were short-term factors.

Non-banking financial companies could emerge as the standout performers during the earnings season, they added.